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ARIZONA LABOR MARKET INFORMATION NEWSLETTER

Vol. XII No. 9
September 1988

Unemployment Rate

Seasonally Adjusted
July*

ARIZONA	6.3%
Maricopa County	5.0%
Pima County	5.1%
UNITED STATES	5.4%

Consumer Price Index

U.S. - June 1988
Base = 1982-84

Wage Earner/Clerical Worker -	116.7
% Chg. Year Ago	3.8
All Urban -	118.0
% Chg. Year Ago	4.0

Phoenix - 2nd Qtr 1988
Base = 1982-84

All Urban -	119.9
% Chg. Year Ago	3.8

Tucson - 2nd Qtr 1988
Base = 1982-84

All Urban -	119.8
% Chg. Year Ago	0.9

*Preliminary

In the September Issue:

Forecast Update
Arizona 2
Maricopa County 6

The Arizona Labor Force in July . . 8

Arizona Labor Force Statistics . . . 10

Forecast Update Continued
Pima County 14
Nonmetropolitan Counties 16

Arizona Unemployment Insurance
Activities 19

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DES Arizona Department of Economic Security
— Moving People Toward Self-Sufficiency

Forecast Update

A mid-year update of the Arizona employment forecast for the rest of 1988 and 1989 has been made by the Arizona Department of Economic Security, Research Administration. As usual, the Arizona Employment Forecasting Model (AEFM) bases its forecast on key national variables that are expected in the near future.

Gross National Product (GNP), the single most important indicator of national economic performance, grew at a rate of 3.1 percent in the second quarter of 1988. Accordingly, nonagricultural wage and salary employment also grew at a healthy rate of 3.8 percent in the first six months of 1988 over the first six months of 1987. The stronger growth in the national economy has been fueled by higher export growth and an increase in plant investments. Nevertheless, much slower growth is expected in the second half of 1988 and in 1989.

The slowdown in the national economy should follow the expected decline in plant investments due to higher interest rates in the near future and slower growth in the U.S. export sector. Increases in interest rates are expected as the Federal Reserve continues to view the national economy as overheating, promoting a build-up of inflationary trends. Higher interest rates will also negatively impact already weak consumer demand. Growth in the export sector, on the other hand, will be constrained by the availability of plant capacity, since U.S. factories, in general, are estimated to be operating at near record levels.

Few assumptions were made on the key national variables which drive the AEFM. The key assumptions made were the following:

- GNP is expected to grow at a rate of 3.9 percent in 1988 but at a sluggish rate of about 2.1 percent in 1989.
- Consumer spending will be very moderate and will advance by 1.9 percent in 1988, followed by a similar rate of 1.8 percent in 1989.
- Inflation, as measured by the consumer price index (CPI), will increase by an average of 4.2 percent in 1988 and a higher rate of 5.5 percent in 1989.
- With increased inflation, the Federal Reserve Bank is going to set tight monetary policies. Therefore, despite slow economic growth, interest rates will trend upward in the second half of 1988 and in 1989. Higher interest rates will negatively impact Arizona's economy by aggravating the already depressed housing market. Although low interest rates are desirable for Arizona's housing market, a high interest rate policy may be prescribed for the nation in order to hold down the build-up of inflationary trends in general. In addition, higher interest rates should lower the demand for all types of consumer products.
- Finally, the dollar is expected to fall at a very moderate rate during the rest of 1988 and in 1989, which should improve U.S. net exports at a moderate rate.

Arizona

Preliminary figures for the first six months of 1988 have confirmed the slow pace of economic growth in Arizona. Nonagricultural wage and salary employment in Arizona grew at an anemic rate of 2.8 percent in the

first six months of 1988, while the rate was 3.8 percent nationally. The stronger growth in the national economy has been fueled by higher export growth and an increase in plant investments. However, much slower growth is expected in the second half of 1988 and in 1989.

Major factors that slowed the state's employment growth in the first six months of 1988 were the weak performance of the manufacturing industry (1.1 percent growth) and the continued slide in construction employment (-8.1 percent). The industries that performed well in the private sector were services (5.8 percent); transportation, communications, and public utilities (TCPU, 5.1 percent); and trade (2.5 percent). Slower growth is expected to continue given the outlook for the national economy.

Overall, wage and salary employment in Arizona is forecast to grow by only 2.5 percent in 1988, followed by a similarly slow rate of 2.7 percent in 1989. The reason for the sluggish growth continues to be the expected weak performance of the manufacturing industry, declining construction employment, and the already slowed growth of in-migration to the state.

During the first half of 1988 compared to the first half of 1987, construction employment fell by 8.1 percent. Various studies report that the vacancy rates for offices, industrial space, and multifamily dwellings are still very high. As a result, the loss in construction employment, especially in the commercial building and multifamily housing sectors, should continue in 1988 and most of 1989. Even the single-family housing sector, with an outlook of higher mortgage rates in the coming months, does not offer anything positive to the overall outlook for the construction industry.

ARIZONA ECONOMIC FORECASTS
(Annual Averages, in Thousands)

	1987	Growth Rate	1988	Growth Rate	1989	Growth Rate
Labor Force	1,614.0	2.7%	1,647.2	2.1%	1,699.4	3.2%
Unemployed	101.0	-7.3	106.3	5.2	117.2	10.3
Unemployment Rate	6.3%		6.5%		6.9%	
Total Employment	1,513.0	3.4	1,540.9	1.8	1,582.2	2.7
Total Wage and Salary Employment	1,383.7	3.4%	1,418.6	2.5%	1,456.8	2.7%
Manufacturing	187.2	1.4	189.7	1.3	192.7	1.6
Mining	11.4	3.6	12.1	6.1	12.6	4.1
Construction	102.4	-9.5	94.6	-7.6	93.4	-1.3
TCPU*	72.0	9.3	73.9	2.6	75.3	1.9
Trade	339.5	4.3	350.2	3.2	362.3	3.5
FIRE**	94.4	6.2	93.8	-0.6	94.7	1.0
Services	343.9	6.2	362.4	5.4	377.3	4.1
Government	232.9	3.5	242.7	4.2	250.1	3.0

* TCPU = Transportation, Communications, and Public Utilities.
** FIRE = Finance, Insurance, and Real Estate.

NOTE: Totals may not add due to rounding.

In sum, an average decline of 7.6 percent in construction jobs is expected in 1988, and a much smaller decline of 1.3 percent is forecast for 1989.

A second factor explaining the sluggish job growth in 1988 was the weak performance of the manufacturing industry. During the first six months of 1988, this industry, as expected, grew at an anemic rate of only 1.1 percent. The machinery manufacturing sector in Arizona responded only slightly to the fall in the value of the dollar, whereas the nation's machinery sector responded quite positively. Job growth in this sector in Arizona was only 2.2 percent in the last six months. However, the positive growth was swamped by job losses in defense-related employment. Aircraft and missiles manufacturing employers reduced their work force by 4.0 percent through June of this year. Given the federal budget deficit, the outlook for defense-related employment is not positive. Taking all this into consideration, the manufacturing industry is expected to grow by only 1.3 percent in 1988, followed by 1.6 percent growth in 1989.

The mining industry in Arizona has responded quite impressively to the increase in the price of copper in the past year. This industry added 700 new jobs during the first six months of 1988 and is expected to perform similarly in the second half of the year, given that copper prices will remain at current high levels and given the improved competitiveness of this industry. Even though the absolute number of jobs gained will not be spectacular, it should definitely improve the rural and Tucson-area economies in 1988 and 1989.

With the weak outlook for the goods-producing sector of Arizona's economy, the service-producing sector

will grow at very moderate rates in 1988 and 1989. Among the service-producing industries, services and trade will create most of the new jobs. The services industry is expected to grow by 5.4 percent in 1988, followed by 3.2 percent growth in the trade industry. The largest gains should be in business services, health services, hotels and lodging, and food stores.

Growth of finance, insurance, and real estate (FIRE), which previously created a large number of new jobs, slowed considerably in the first half of this year. The considerable slowdown experienced by the finance sector is the result of banking deregulation and the introduction of new technology. Meanwhile, the real estate sector is affected mostly by weakness in the construction industry. FIRE is expected to register a job loss of 0.6 percent in 1988 and a slight upturn in 1989.

The TCPU industry performed at a moderate rate in the first half of 1988 and is expected to grow by an average rate of 2.6 percent in 1988, followed by 1.9 percent growth in 1989. Government is expected to grow by 4.2 percent in 1988 with most of the growth to be seen in the school sector.

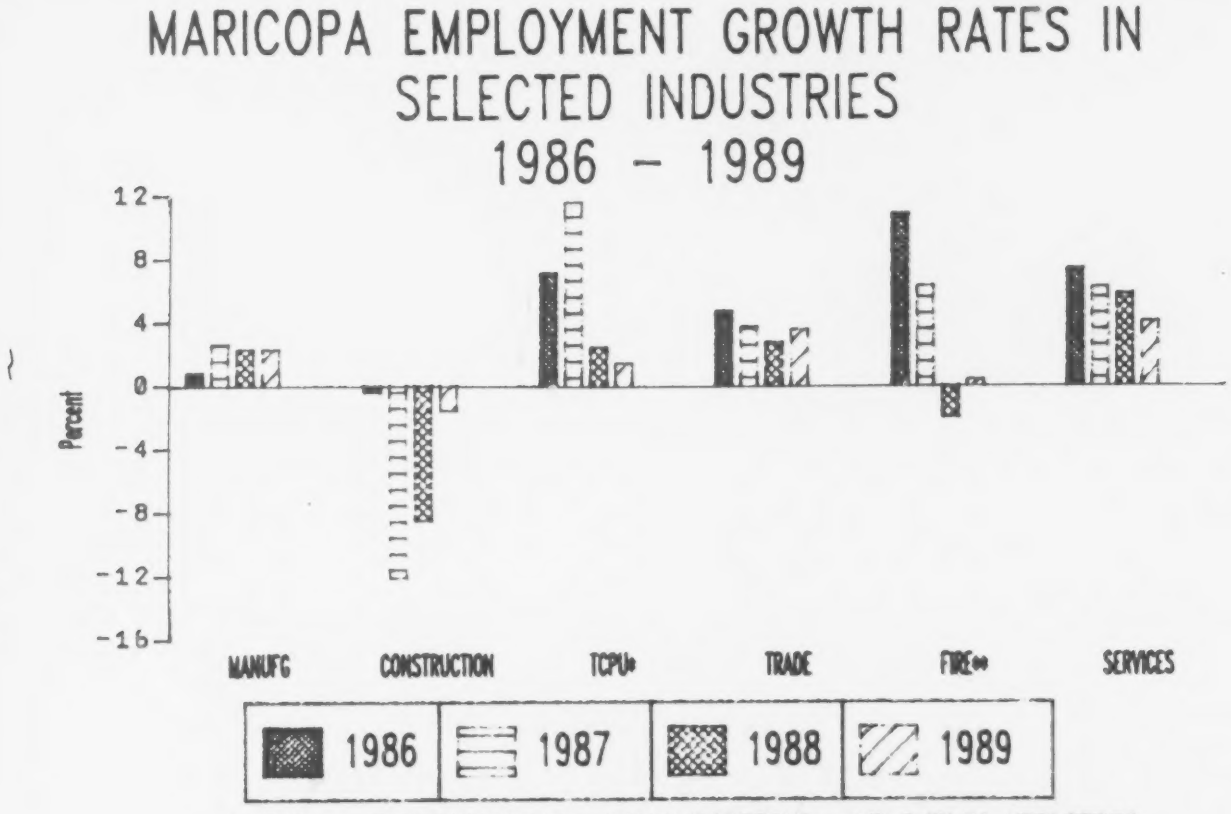
Overall, Arizona wage and salary employment is forecast to grow by 2.5 percent in 1988 (34,900 jobs), followed by 2.7 percent in 1989 (38,200 jobs). Sluggish job growth and more stable labor force growth in the near future will increase the state's number of unemployed. It is forecast that the unemployment rate in 1988 should average 6.5 percent, followed by 6.9 percent in 1989.

Jalal Ahmad

Maricopa County

The economy of Maricopa County reflects the state's economy. In other words, the factors which determine growth in the Phoenix area also influence the health of Arizona's economy. The large influence of what happens in the Phoenix area on the state economy is due to the fact that Maricopa County represents nearly 66 percent of the state's total wage and salary employment. Wage and salary employment in the Phoenix area grew by only 2.6 percent in the first six months of 1988 over the first six months of 1987. The slow growth was accompanied by an even slower growth in the labor force, which grew at a very moderate rate of 1.6 percent. The slower labor force growth resulted in an average unemployment rate of 4.7 percent in the first six months of 1988. Slower labor force growth was caused by factors such as slower net in-migration to the Valley, stablized labor force participation by women, and, finally, weak job opportunities over all. Sluggish job growth in the Phoenix area, on the other hand, was the result of the poor performance of manufacturing, the continued slide in construction, slower activities in finance and real estate, and slower growth in the population-serving industries.

The manufacturing industry in the Phoenix metropolitan area added 2,500 new jobs (1.9 percent) in the first six months of 1988 over the first six months of 1987. The durable manufacturing sector added about 1,100 jobs of which the machinery sector contributed nearly 1,000 new jobs. The growth in the machinery sector was caused by the improvement in the nation's exports. The machinery sector is expected to



MARICOPA COUNTY ECONOMIC FORECASTS
(Annual Averages, in Thousands)

	1987	Growth Rate	1988	Growth Rate	1989	Growth Rate
Labor Force	1,001.1	2.9%	1,021.1	2.0%	1,053.8	3.2%
Unemployed	52.1	-4.1	53.6	2.9	59.2	10.4
Unemployment Rate	5.2%		5.2%		5.6%	
Total Employment	949.0	3.3	967.5	1.9	994.6	2.8
Total Wage and Salary Employment	912.7	3.4%	935.4	2.5%	961.2	2.8
Manufacturing	135.7	2.6	138.8	2.3	142.0	2.3
Mining	0.6	0.0	0.6	0.0	0.6	0.0
Construction	69.2	-12.1	63.3	-8.5	62.3	-1.6
TCPU*	49.0	11.6	50.2	2.4	50.9	1.4
Trade	230.9	3.7	237.1	2.7	245.5	3.5
FIRE**	74.8	6.3	73.9	-1.2	74.2	0.4
Services	231.6	6.2	245.0	5.8	254.9	4.0
Government	120.9	4.0	126.5	4.6	130.8	3.4

* TCPU = Transportation, Communications, and Public Utilities.
** FIRE = Finance, Insurance, and Real Estate.

NOTE: Totals may not add due to rounding.

perform in a similar fashion during the rest of 1988 and in 1989.

The stone, clay, and glass sector, on the other hand, lost 700 jobs in the first six months of 1988 over the first six months of 1987, mostly because of the declining construction industry. The stone, clay and glass sector should continue to see job losses during the remainder of this year and most of 1989. The durable manufacturing sector is forecast to add 1,600 jobs (1.5 percent) in 1988 and 2000 jobs (1.8 percent) in 1989.

The nondurable sector performed better than the durable sector by adding 1,500 jobs (5.2 percent) in the first six months of 1988 over the first six months of 1987. This sector is expected to add nearly 1,500 jobs in 1988, followed by 1,200 in 1989. Given the overall outlook for the nation's export sector, the manufacturing industry in the Phoenix area is expected to grow at a moderate rate of 2.3 percent in both 1988 and 1989.

The construction industry is very vital for growth of the Phoenix-area economy. Between 1982 and 1985, this industry added nearly 34,900 jobs, leading the overall economic growth in the past. Spectacular growth in this industry was fueled by healthy growth of in-migration. In fact, more spaces were built than needed at that time. As a result, the industry ended with an excess of unused spaces. The overbuilding of industrial and commercial spaces, accompanied by slower in-migration to the Valley, has been cutting into the construction work force. Since September of 1985, a total of 17,800 construction jobs have been lost, retarding overall growth in the Valley.

Several reports suggest that the vacancy rate is declining but is still

very high, and this condition is expected to continue for many months to come. The outlook for the housing sector has been further impaired by the recent upward trend of mortgage rates. Taking all this into consideration, the construction industry is forecast to reduce employment by 8.5 percent in 1988 and by 1.6 percent in 1989. It will not be until 1990 that net additions to this industry will be made.

Finance, insurance, and real estate (FIRE), which used to add hundreds of new jobs, has slowed considerably during the past few months, adding only 500 jobs in the first six months of 1988 over the first six months of 1987. The slowdown in the finance sector was due to both banking deregulation and the wide use of self-banking. Employment in the real estate sector was retarded by weak activity in construction and less in-migration to the Valley. Overall, FIRE is forecast to lose 900 jobs (1.2 percent) in 1988, followed by a net addition of 300 jobs (0.4 percent) in 1989.

Transportation, communications, and public utilities (TCPU) also experienced very modest growth in the first six months of 1988. The modest growth portrays the slowdown in net in-migration to the Valley. This industry is expected to add 1,200 jobs in 1988 and only 700 jobs in 1989.

The services and trade industries also experienced moderate growth in the first half of 1988. These two industries, however, will still add most of the new jobs in the private sector in 1988 (19,600 jobs) and in 1989 (18,300 jobs). The level of tourist activities and winter visitors to the Valley will largely determine the performance of these two industries. The services industry alone will add 13,400 new jobs (5.8 percent) in 1988 and 9,900 jobs (4.0 percent) in 1989. Most of this growth will be seen in hotels and other lodging places, health services, and business services. Trade will add 6,200 jobs (2.7 percent) in 1988, followed by 8,400 jobs (3.6 percent) in 1989. Eating and drinking places, along with food stores, will contribute most of the new jobs in this industry.

Government, which includes federal, state and local, and school employment will contribute about 5,600 jobs in 1988. Of the total, a majority of the jobs will be added in the school sector, followed by the state and local government sector. Growth in the federal, state, and local government sectors will be constrained in the near future by national and state budget deficits.

Overall, the near-term outlook for the county is modest, but the long-run outlook continues to be bright. The county is forecast to add 22,700 jobs (2.5 percent) in 1988, followed by 25,800 jobs (2.8 percent) in 1989. The weaker growth in wage and salary employment, accompanied by slower labor force growth, will keep the county's unemployment rate at 5.2 percent in 1988, but a higher rate of 5.6 percent is forecast for 1989.

Jalal Ahmad

FORECAST UPDATE CONTINUED ON PAGE 14

The Arizona Labor Force in July

In recent months, job losses had not translated into higher levels of unemployment as job seekers left the state in search of employment elsewhere, or they simply did not search

for another job. But in July, that trend came to an end. The number of people unemployed in Arizona rose by 10,200 which pushed the unemployment rate from its prior level of 5.8 percent to 6.3 percent. This is the highest level the unemployment rate has reached in a year, and it appears likely to continue rising in the months ahead.

The economy was influenced by a combination of negative seasonal factors and lackluster economic growth in July. On the seasonal side of the economy, agricultural activity is at its lowest point of the year and tourism business has reached its peak in the state's northern counties. Meanwhile, manufacturing had its first employment loss in five months, and the real estate industry remains depressed.

The real estate industry continues to suffer the greatest difficulties in Arizona. Foremost in most people's mind is the construction industry. While a modest 300 jobs were added in July, this is considered only a temporary improvement that will be lost by September. Overall, the industry has lost 8,400 jobs since a year ago and 21,100 (18.0 percent) from its peak level in June 1986. The combination of high vacancy rates in multifamily housing, a slowly growing population, and rising interest rates all combine to depress the outlook for construction. It now appears that recovery in the industry will have to wait until 1990.

With the difficulties that the real estate industry is facing, it is not surprising that the finance, insurance, and real estate (FIRE) industry along with the transportation, communications, and public utilities (TCPU) industry is suffering from declining business. For the eighth month in a row, FIRE saw a decline in employment as 400 jobs were lost. All three sectors have suffered a decline in the last year, with the greatest losses coming in the finance and insurance areas. And even TCPU, which historically has maintained very stable employment levels, recorded its fourth month of employment reductions.

The expectation of a recovery in Arizona's economy in 1988 was predicated on an improvement in employment for the manufacturing industry. Production and employment were expected to increase as the falling value of the dollar improved our competitive position internationally and increased demand for high technology products. Unfortunately, that has not occurred to the magnitude expected. Manufacturing has grown only 1.5 percent in the last 12 months, and recent announcements of plant closings and production cutbacks do not bode well for the future.

In the population-serving industries of trade and services, total job losses were 3,700 as the annual summer doldrums produced seasonal losses. Combined with the loss of 9,900 jobs in government as schools continued to release staff during the summer vacation season, July recorded significant, but temporary, employment declines.

Arizona's economic outlook has recently deteriorated. While a recession in 1989 is not expected, growth will be minimal. Higher interest rates will definitely retard any expansionary forces, and manufacturing will at best be lackluster. Although 1989 will still be a year of job growth, that growth is expected to be very slight, and the unemployment rate is expected to rise. The rest of 1988 and all of 1989 will be characterized by rising unemployment and slowing job growth.

Dan Anderson

July 1988 (in thousands)

	Arizona				
				Amount Change	
	July* 1988	June 1988	July 1987	June-July	1987-1988
TOTAL CIVILIAN LABOR FORCE**	1619.1	1619.1	1590.7	+0.0	+28.4
Total Unemployment	109.0	98.8	107.7	+10.2	+1.3
Rate	6.7	6.1	6.8	----	----
Rate (Sea. Adj.)***	6.3	5.8	6.4	----	----
Total Employment	1510.1	1520.3	1483.0	-10.2	+27.1

The Above Labor Force Statistics Should Not Be

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

TOTAL WAGE AND SALARY	1376.2	1390.1	1357.6	-13.9	+18.6
Manufacturing	189.6	189.7	186.8	-0.1	+2.8
Durable Goods	146.6	146.8	146.0	-0.2	+0.6
Stone, Clay, and Glass	7.5	7.5	7.9	+0.0	-0.4
Primary and Fabricated Metals	15.9	15.8	16.1	+0.1	+0.2
Primary Metals	7.2	7.3	7.2	-0.1	+0.0
Fabricated Metals	8.7	8.5	8.9	+0.2	-0.2
Machinery	65.8	66.0	64.1	-0.2	+1.7
Other Durable Goods	57.4	57.5	57.9	-0.1	-0.5
Aircraft and Missiles	26.4	26.5	27.5	-0.1	-1.1
Lumber and Wood Product (Exc. Furniture)	8.8	8.7	8.6	+0.1	+0.2
All Other Durable Goods	22.2	22.3	21.8	-0.1	+0.4
Nondurable Goods	43.0	42.9	40.8	+0.1	+2.2
Food and Kindred Products	9.4	9.4	9.0	+0.0	+0.4
Apparel	4.6	4.7	4.6	-0.1	+0.0
Printing and Publishing	16.3	16.2	16.2	+0.1	+0.1
All Other Nondurable Goods	12.7	12.6	11.0	+0.1	+1.7
Mining and Quarrying	12.2	12.1	11.5	+0.1	+0.7
Copper Mining	9.1	9.0	8.5	+0.1	+0.6
Other Mining and Quarrying	3.1	3.1	3.0	+0.0	+0.1
Construction	96.2	95.9	104.6	+0.3	-8.4
Trans., Communications, & Public Utilities	73.0	73.2	72.6	-0.2	+0.4
Transportation	37.0	37.1	36.2	-0.1	+0.8
Communications and Public Utilities	36.0	36.1	36.4	-0.1	-0.4
Trade	342.6	344.3	335.8	-1.7	+6.8
Wholesale Trade	68.6	69.2	68.0	-0.6	+0.6
Retail Trade	274.0	275.1	267.8	-1.1	+6.2
General Merchandise and Apparel	41.8	41.9	41.8	-0.1	+0.0
Food Stores	45.7	45.6	42.8	+0.1	+2.9
Automotive and Service Stations	33.7	33.4	32.6	+0.3	+1.1
Eating and Drinking Places	97.2	98.1	95.0	-0.9	+2.2
Other Retail Trade	55.6	56.1	55.6	-0.5	+0.0
Finance, Insurance, and Real Estate	92.7	93.1	95.5	-0.4	-2.8
Services and Miscellaneous	355.9	357.9	343.7	-2.0	+12.2
Hotels and Other Lodging Places	38.4	39.7	34.7	-1.3	+3.7
Business Services	76.7	77.0	75.3	-0.3	+1.4
Health Services	91.2	90.9	86.9	+0.3	+4.3
Other Services	149.6	150.3	146.8	-0.7	+2.8
Government	214.0	223.9	207.1	-9.9	+6.9
Federal	43.4	43.2	44.1	+0.2	-0.7
State and Local	170.6	180.7	163.0	-10.1	+7.6
School	80.1	92.1	77.7	-12.0	+2.4

* Preliminary

** Labor force, unemployment, and employment are reported by place of residence.

*** Normal seasonal variations have been eliminated to reflect underlying economic trends.

July 1988 (in thousands)

MARICOPA COUNTY					PIMA COUNTY				
			Amount Change					Amount Change	
July* 1988	June 1988	July 1987	June-July	1987-1988	July* 1988	June 1988	July 1987	June-July	1987-1988
1013.7	1009.0	993.4	+3.8	+20.3	302.9	306.1	299.8	-3.2	+3.1
52.4	48.7	52.9	+3.7	-0.5	15.8	14.7	15.2	+1.1	+0.6
5.2	4.8	5.3	----	----	5.2	4.8	5.1	----	----
5.0	4.7	5.1	----	----	5.1	4.8	4.9	----	----
961.3	961.2	940.5	+0.1	+20.8	287.1	291.4	284.6	-4.3	+2.5

sed for Economic Assistance Programs

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

914.2	919.3	900.5	-5.1	+13.7	238.8	243.7	237.8	-4.9	+1.0
138.8	138.7	135.4	+0.1	+3.4	30.1	30.2	31.0	-0.1	-0.9
108.4	108.3	106.8	+0.1	+1.6	24.4	24.5	25.5	-0.1	-1.1
5.0	4.8	5.1	+0.2	-0.1					
10.9	10.8	10.9	+0.1	+0.0					
52.2	52.4	51.0	-0.2	+1.2					
40.3	40.3	39.8	+0.0	+0.5					
30.4	30.4	28.6	+0.0	+1.8	5.7	5.7	5.5	+0.0	+0.2
6.3	6.3	6.1	+0.0	+0.2					
3.6	3.7	3.4	-0.1	+0.2					
11.4	11.4	11.5	+0.0	-0.1					
9.1	9.0	7.6	+0.1	+1.5					
0.6	0.6	0.6	+0.0	+0.0	1.8	1.7	1.6	+0.1	+0.2
64.4	64.3	70.1	+0.1	-5.7	18.8	18.7	20.0	+0.1	-1.2
50.1	50.3	49.9	-0.2	+0.2	9.5	9.6	9.5	-0.1	+0.0
26.6	26.6	26.0	+0.0	+0.6	4.7	4.7	4.7	+0.0	+0.0
23.5	23.7	23.9	-0.2	-0.4	4.8	4.9	4.8	-0.1	+0.0
231.0	232.2	228.5	-1.2	+2.5	57.0	57.0	54.3	+0.0	+2.7
54.2	54.5	54.3	-0.3	-0.1	8.3	8.2	7.8	+0.1	+0.5
176.8	177.7	174.2	-0.9	+2.6	48.7	48.8	46.5	-0.1	+2.2
26.7	26.7	27.1	+0.0	-0.4	7.2	7.3	7.2	-0.1	+0.0
28.9	29.0	27.3	-0.1	+1.6	7.8	7.7	7.2	+0.1	+0.6
20.9	20.7	20.4	+0.2	+0.5	5.8	5.7	5.3	+0.1	+0.5
62.5	63.1	61.0	-0.6	+1.5	17.9	18.0	17.2	-0.1	+0.7
37.8	38.2	38.4	-0.4	-0.6	10.0	10.1	9.6	-0.1	+0.4
73.7	73.9	75.6	-0.2	-1.9	12.3	12.4	12.9	-0.1	-0.6
240.7	241.8	230.9	-1.1	+9.8	66.1	66.3	64.2	-0.2	+1.9
21.7	22.6	18.9	-0.9	+2.8	6.2	6.6	6.1	-0.4	+0.1
61.4	61.5	60.0	-0.1	+1.4	11.0	11.1	11.1	-0.1	-0.1
60.2	60.0	56.9	+0.2	+3.3	19.4	19.2	18.5	+0.2	+0.9
97.4	97.7	95.1	-0.3	+2.3	29.5	29.4	28.5	+0.1	+1.0
114.9	117.5	109.5	-2.6	+5.4	43.2	47.8	44.3	-4.6	-1.1

NOTE: Prepared by the Arizona Department of Economic Security, Research Administration, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Nonmetropolitan Counties
Labor Force and Employment
July 1988

	Apache	Cochise	Coconino	Gila	Graham	Greenlee	La Paz
CIVILIAN LABOR FORCE*	15,125	34,100	41,525	12,125	8,350	2,950	5,350
Total Unemployment	3,300	3,075	4,250	1,450	850	350	400
Rate	21.8%	9.0%	10.2%	12.0%	10.2%	11.9%	7.5%
Rate (Seas. Adj.)**	18.1%	8.9%	9.3%	12.3%	9.8%	11.1%	7.9%
Total Employment	11,825	31,025	37,275	10,675	7,500	2,600	4,950
THE ABOVE LABOR FORCE STATISTICS SHOULD NOT BE USED FOR ECONOMIC ASSISTANCE PROGRAMS							
TOTAL WAGE AND SALARY	14,675	23,875	37,000	10,225	5,000	2,775	3,250
Manufacturing	850	1,175	2,950	1,300	200	75	300
Mining & Quarrying	25	100	150	1,375	0	1,600	50
Construction	1,075	1,175	1,675	600	200	200	150
T.C.P.U.	1,925	1,575	2,525	400	150	50	75
Trade	1,600	5,400	9,275	2,425	1,600	225	1,075
F.I.R.E.	325	650	800	275	125	25	100
Services & Misc.	4,325	4,500	10,125	1,800	900	125	750
Government	4,550	9,300	9,500	2,050	1,825	475	750

	Mohave	Navajo	Pinal	Santa Cruz	Yavapai	Yuma
CIVILIAN LABOR FORCE*	30,375	26,575	36,500	10,350	35,750	43,400
Total Unemployment	2,225	4,000	3,550	1,950	2,225	13,125
Rate	7.3%	15.1%	9.7%	18.8%	6.2%	30.2%
Rate (Seas. Adj.)**	7.3%	13.8%	8.9%	16.2%	6.5%	23.2%
Total Employment	28,150	22,575	32,950	8,400	33,525	30,275
THE ABOVE LABOR FORCE STATISTICS SHOULD NOT BE USED FOR ECONOMIC ASSISTANCE PROGRAMS						
TOTAL WAGE AND SALARY	21,325	19,800	28,250	8,875	24,175	24,150
Manufacturing	2,975	1,950	3,750	1,275	2,325	1,675
Mining & Quarrying	325	1,200	3,925	0	975	100
Construction	1,650	1,100	1,325	325	2,175	1,425
T.C.P.U.	1,225	1,775	1,175	500	875	1,100
Trade	6,300	4,200	5,100	3,500	6,725	7,275
F.I.R.E.	975	375	800	375	1,000	875
Services & Misc.	4,825	4,900	4,100	1,400	5,550	5,775
Government	3,050	4,300	8,075	1,500	4,550	5,925

* Adjusted to the Current Population Survey (CPS) to reflect place of residence.
** Seasonal adjustment not applicable for economic assistance programs.

T.C.P.U. = Transportation, Communications, and Public Utilities
F.I.R.E. = Finance, Insurance, and Real Estate

Prepared in conjunction with the U.S. Department of Labor, Bureau of Labor Statistics.

Estimated Hours and Earnings of Production Workers in Selected Industries Arizona

INDUSTRY	AVERAGE WEEKLY EARNINGS			AVERAGE WEEKLY HOURS			AVERAGE HOURLY EARNINGS		
	July* 1988	June 1988	July 1987	July* 1988	June 1988	July 1987	July* 1988	June 1988	July 1987
Manufacturing	404.33	406.64	407.18	40.8	41.2	40.8	9.91	9.87	9.98
Aircraft & Missiles	INA	INA	503.86	INA	INA	41.3	INA	INA	12.20
Food & Kindred Prod.	343.26	343.48	400.44	40.1	39.3	42.6	8.56	8.74	9.40
Primary Metals	493.08	497.80	457.92	37.9	38.8	36.0	13.01	12.83	12.72
Machinery	409.86	410.85	408.44	41.4	41.5	40.6	9.90	9.90	10.06
Copper Mining	527.10	503.48	481.54	42.0	41.1	39.6	12.55	12.25	12.16
Construction	435.63	428.95	428.04	36.7	36.6	36.9	11.87	11.72	11.60
Utilities	633.13	633.74	619.62	41.3	43.2	43.3	15.33	14.67	14.31
Retail Trade**	248.50	249.50	250.17	33.4	33.4	33.4	7.44	7.47	7.49
Wholesale Trade	401.17	394.71	388.88	40.4	40.4	39.4	9.93	9.77	9.87

Estimated Hours and Earnings of Production Workers in Selected Industries Maricopa County

INDUSTRY	AVERAGE WEEKLY EARNINGS			AVERAGE WEEKLY HOURS			AVERAGE HOURLY EARNINGS		
	July* 1988	June 1988	July 1987	July* 1988	June 1988	July 1987	July* 1988	June 1988	July 1987
Manufacturing	434.51	429.73	425.80	41.7	41.6	41.1	10.42	10.33	10.36
Construction	448.91	443.17	439.67	37.1	36.9	36.7	12.10	12.01	11.98
Retail Trade**	273.94	274.16	277.23	34.2	34.1	34.1	8.01	8.04	8.13
Wholesale Trade	430.76	417.13	390.87	41.7	41.3	38.7	10.33	10.10	10.10

Estimated Hours and Earnings of Production Workers in Selected Industries Pima County

INDUSTRY	AVERAGE WEEKLY EARNINGS			AVERAGE WEEKLY HOURS			AVERAGE HOURLY EARNINGS		
	July* 1988	June 1988	July 1987	July* 1988	June 1988	July 1987	July* 1988	June 1988	July 1987
Manufacturing	370.33	383.67	363.01	38.9	39.8	38.7	9.52	9.64	9.38
Copper Mining	601.24	531.30	511.66	43.6	42.2	41.7	13.79	12.59	12.27
Construction	384.62	382.28	363.54	36.7	36.9	36.5	10.48	10.36	9.96
Utilities	584.57	577.55	562.38	41.4	41.7	42.0	14.12	13.85	13.39

* Preliminary.
** Excludes eating and drinking places.

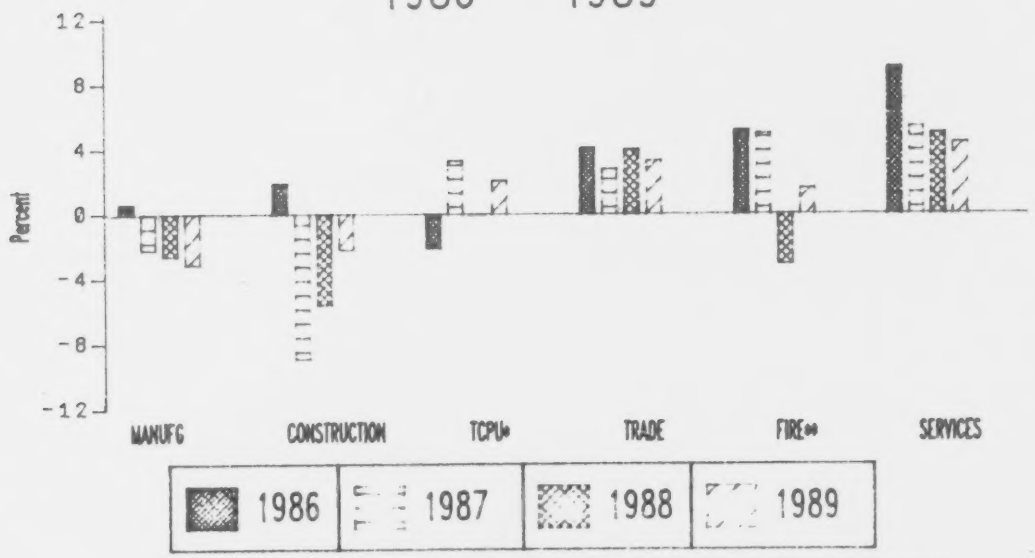
NOTE: These estimates are based on a sample of full- and part-time production and related employees whose payroll and hours are reported for the pay period which includes the 12th of the month. Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Pima County

The first half of 1988 presented Pima County with some troublesome economic news as major employers announced layoffs and plant closures. Despite the discouraging news, job growth remains above last year's pace. For the first six months of 1988, compared to the first six months of 1987, wage and salary employment growth was 2.7 percent while job growth for all of 1987 was 1.8 percent. More encouraging news for the county's economy is that the last six months of the year are expected to continue to provide strong employment gains as the trade and services industries gear up for the winter visitor and holiday seasons. Wage and salary employment growth is anticipated to come in at 2.1 percent for 1988 and 2.2 percent in 1989. These increases indicate that, despite the drop-offs in manufacturing and construction employment, the Tucson-area economy is diverse enough to overcome the declines.

The manufacturing industry has maintained the negative trend established in 1987. Manufacturing employment has fallen 1.0 percent in the first half of the year compared to the same period in 1987. Unfortunately, with more layoffs taking place in this industry in the last half of 1988, employment is forecast to drop 2.6 percent for the year. In 1989, the trend should continue with manufacturing employment sinking another 3.1 percent. There is good news in 1990 as Pima County's manufacturing sector is projected to rebound. A further encouragement to the Tucson-area economy is the fact that the major employers who are leaving are not leaving because they find the area to be an unsatisfactory location. They are leaving because the firms are restructuring to become more competitive and profitable. Until manufacturing bounces back, however, the local-area economy will find itself in the predicament it faced earlier in its development--relying more on tourist-related and public sector employment for its economic growth.

PIMA EMPLOYMENT GROWTH RATES IN SELECTED INDUSTRIES
1986 - 1989



* TCPU = TRANSPORTATION, COMMUNICATIONS, AND PUBLIC UTILITIES
** FIRE = FINANCE, INSURANCE, AND REAL ESTATE

PIMA COUNTY ECONOMIC FORECASTS
(Annual Averages, in Thousands)

	1987	Growth Rate	1988	Growth Rate	1989	Growth Rate
Labor Force	306.6	1.2%	311.8	1.7%	319.9	2.6%
Unemployed	15.5	-10.4	16.6	7.1	18.8	13.3
Unemployment Rate	5.1%		5.3%		5.9%	
Total Employment	291.1	1.9	295.2	1.4	301.1	2.0
Total Wage and Salary Employment	243.8	1.8%	248.9	2.1%	254.4	2.2%
Manufacturing	31.0	-1.9	30.2	-2.6	29.2	-3.1
Mining	1.6	-5.9	1.8	12.5	1.9	5.6
Construction	19.5	-8.9	18.4	-5.6	18.0	-2.2
TCPU*	9.5	3.3	9.5	0.0	9.7	2.1
Trade	55.2	2.8	57.4	4.0	59.3	3.3
FIRE**	12.7	5.0	12.3	-3.1	12.5	1.6
Services	64.6	5.4	67.8	5.0	70.8	4.4
Government	49.6	2.3	51.5	3.8	53.1	3.1

* TCPU = Transportation, Communications, and Public Utilities.
** FIRE = Finance, Insurance, and Real Estate.

NOTE: Totals may not add due to rounding.

Within the manufacturing industry, the aircraft and missiles sector and the machinery sector have been the most troublesome. Aircraft and missiles manufacturing has declined 10.1 percent during the first six months of 1988 compared to the same period in 1987. This trend should accelerate somewhat, resulting in a 10.5 percent drop for the year. With federal budget tightening, the decline is projected to continue into 1989 slipping another 3.9 percent. The following year sees the industry recovering slightly with 2.7 percent employment growth.

While the machinery sector is growing at a 3.0 percent clip for the first half of the year, this growth after last year's inferior performance was not as large as expected. The national economy has been experiencing a resurgence of manufacturing exports, but Arizona has scarcely seen this benefit. Now that export growth is expected to slow, machinery growth is anticipated to follow. In addition, layoffs in this sector will negate any growth there may have been during 1988. Machinery employment is forecast to drop off 5.9 percent before recovering in 1990 when it will begin to grow once more at a 3.2 percent rate.

In addition to the troubles in the manufacturing industry, the construction industry continued on a rocky path for the second consecutive year. The industry extended its correction phase created by overbuilding in recent years. The decline in the industry has slowed from its precipitous drop in 1987, but it is not expected to rebound until 1990 when it will see meager growth. In addition to the overbuilding which created high vacancy rates, the industry has been further plagued by rising interest rates and slowed in-migration. Construction

industry employment is expected to decline 5.6 percent this year and 2.2 percent in 1989. In 1990, the industry will see an upswing with employment increasing 2 2 percent.

This year, Pima County mining employment is expected to show its first annual growth since 1981. The improved price of copper and more cost-effective extraction methods have resulted in increased production activity and hence increased employment levels. The boost in employment is smaller than in the past because the new extraction methods are more capital-intensive and less labor-intensive. The industry is not, however, anticipated to continue with such large gains as production levels off. Mining employment in 1988 is forecast to expand by 12.5 percent in 1988 and 5.6 percent in 1989.

On the service-producing side of the economy, the outlook for the last half of 1988 is better than in the goods-producing industries of manufacturing, mining, and construction. The service-producing industries (transportation, communications, and public utilities [TCPU]; trade; finance, insurance, and real estate [FIRE]; services; and government) are expected to grow by 3.6 percent in 1988, followed by 3.5 percent in 1989. Growth in these industries has fallen off primarily because of the slowed in-migration to the state. However, this growth contrasts with the decline in the goods-producing industries which will drop 3.3 percent in 1988 and 2.6 percent in 1989. Therefore, despite slower growth, the service-producing industries are still fueling the economy.

The FIRE industry will fare the worst among service industries during the next 18 months. Based on the performance through the first half of 1988, employment in this industrial category is anticipated to decline. The reasons for the drop-off are threefold: the real estate sector is highly dependent upon the construction industry which is in a contractionary phase, population growth has slowed markedly, and there is the prospect for higher interest rates. Since the prognosis for these three areas is poor through 1989, the industry is forecast to fall 3.1 percent in 1988 before increasing a slight 1.6 percent in 1989.

TCPU job growth has also slowed compared to last year when employment growth was 3.3 percent. Based on actual figures for the first half of 1988, employment is projected to remain at the 1987 level. Job growth will resume in 1989 with a 2.1 percent growth rate.

The remaining service industries will maintain fairly strong growth over the second half of 1988 and 1989. Trade employment is anticipated to outpace last year's growth with a 4.0 percent increase in 1988 and a 3.3 percent gain in 1989. Services employment will be bolstered by 5.0 percent in 1988 and 4.4 percent in 1989. The fastest growing sectors in this industry will be hotels and lodging and health services. Finally, government jobs are anticipated to grow at a 3.8 percent rate in 1988 followed by a gain of 3.1 percent in 1989.

Rosemary Reardon

Nonmetropolitan Counties

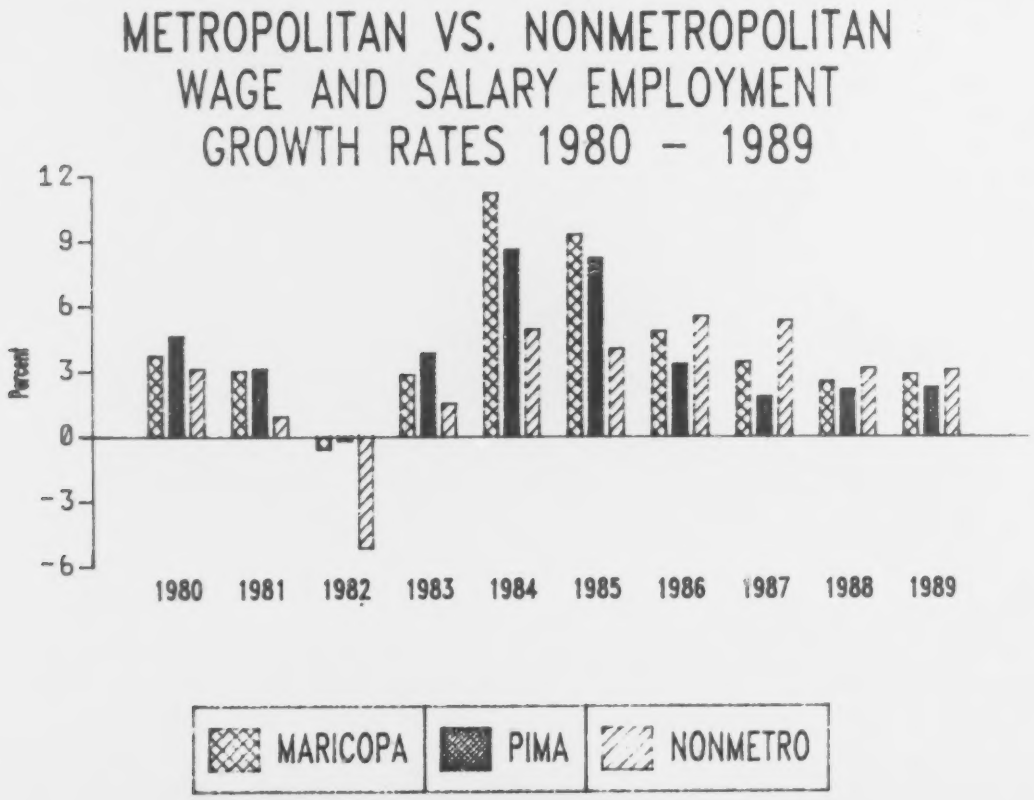
The outlook for the nonmetropolitan counties continues to be sunnier than for the metropolitan areas. Based on wage and salary employment growth for the first six months of 1988, overall growth for the year is projected to come in at 3.1 percent. In 1989, job growth is anticipated to increase at approximately the same pace, 3.0 percent. If this es-

timated employment growth holds true, the nonmetropolitan counties will have four consecutive years of stronger job gains than the metropolitan areas. Like the metropolitan counties (Maricopa and Pima), the service-producing industries will provide most of the momentum for economic growth. The service-producing industries (transportation, communications, and public utilities [TCPU]; trade; finance, insurance, and real estate [FIRE]; services; and government) are expected to expand by 6,900 jobs (3.8 percent) in 1988. In the following year, the rate of increase is expected to slow to 5,600 jobs (2.9 percent). The goods-producing industries (manufacturing, mining, and construction), on the other hand, are estimated to slip by 100 (0.2 percent) in 1988. In 1989, these industries are expected to snap back, adding 1,400 new employment opportunities (3.2 percent).

The unemployment rate for the first six months of 1988 averaged 10.0 percent, down from the 1987 rate of 10.9 percent. However, the unemployment rate is expected to rise during the second half of the year, with the 1988 rate averaging 11.5 percent. The rate is expected to increase again in 1989, rising to 12.0 percent.

In 1987, rural county manufacturing employment fell by 200 (1.0 percent), the first decline since the 1982 recession. While rural county manufacturing dropped by 200 in the first six months of 1988, job opportunities in this industry are expected to be up by 200 (1.0 percent) by year-end. Following the 1987 trend, nondurable manufacturing employment is anticipated to decline slightly. Contrary to last year's trend, durable goods manufacturing employment is estimated to grow, adding 300 new jobs. Total manufacturing employment is expected to increase 3.9 percent in 1989.

During 1987, when construction em-



NONMETROPOLITAN COUNTIES ECONOMIC FORECASTS
(Annual Averages, in Thousands)

	1987	Growth Rate	1988	Growth Rate	1989	Growth Rate
Labor Force	306.3	3.6%	314.3	2.6%	325.7	3.6%
Unemployed	33.4	-10.7	36.1	8.1	39.2	8.6
Unemployment Rate	10.9%		11.5%		12.0%	
Total Employment	272.9	5.7	278.2	1.9	286.5	3.0
Total Wage and Salary Employment	227.2	5.3%	234.2	3.1%	241.3	3.0%
Manufacturing	20.5	-1.0	20.7	1.0	21.5	3.9
Mining	9.2	4.6	9.7	5.4	10.0	3.1
Construction	13.7	5.4	12.9	-5.8	13.2	2.3
TCPU*	13.5	6.3	14.2	5.2	14.7	3.5
Trade	53.4	8.3	55.7	4.3	57.5	3.2
FIRE**	6.9	7.8	6.7	-2.9	6.5	-3.0
Services	47.7	7.2	49.6	4.0	51.6	4.0
Government	62.4	3.7	64.6	3.5	66.1	2.3

* TCPU = Transportation, Communications, and Public Utilities.
** FIRE = Finance, Insurance, and Real Estate.

NOTE: Totals may not add due to rounding.

ties fell by over 11,000, the nonmetropolitan counties avoided this slide. The nonmetropolitan counties saw a 5.4 percent increase in construction employment. The first half of 1988 paints a different picture--construction employment has fallen off 5.2 percent or 700 jobs. Most of the decline is the result of the completion of several large construction projects last year as well as this year. Overall in 1988, the number of construction jobs is expected to decline by 800 (5.8 percent). Employment growth should rebound in 1989 with a 2.3 percent gain.

Compared to the first six months of 1987, the mining industry has added 600 employees during the first half of 1988. This trend is expected to continue into the future, at least in the short run. Mining employment is anticipated to grow at a 5.4 percent pace in 1988 and slow to 3.3 percent in 1989. If the 1988 growth trend continues, this will be the second consecutive year of mining employment growth. The state's mining industry has not seen two straight years of employment gains since the early 1970s. Job growth in this sector has been spurred by favorable conditions in the world copper market and less costly extraction methods.

On the service-producing side of the economy, all industries except FIRE are forecast to enjoy moderate to healthy employment growth through 1988 and 1989. The decline in the FIRE industry is projected to follow the drop-off in the construction industry. Job creation in the industry will be hampered further by rising interest rates and belt tightening in the finance sector. Approximately 200 jobs are expected to be lost in the FIRE industry in 1988. The decline in the industry is anticipated to continue through 1989 as another 200 jobs are lost.

Employment in the nonmetropolitan trade and services industries grew 7.8 percent in 1987, adding a total of 7,300 jobs. The majority of these positions were in tourist-related industries. This trend is expected to continue through 1989. During the first six months of 1988, employment in the trade industry was up 5.7 percent or 3,000 jobs. Over-the-year growth for trade in 1988 is expected to settle at 4.3 percent. Growth in 1989 should slow further to 3.2 percent.

Services, during the first half of 1988, grew at a 5.3 percent clip, adding 2,500 new job opportunities. Growth in 1988 is anticipated to be 4.0 percent as growth slows over the remainder of the year. In 1989, the services growth rate is projected to remain level at 4.0 percent.

The TCPU industry, in the first half of 1988, increased at a 3.0 percent pace for a total of 400 jobs. This industry is expected to pick up speed later in the year, creating 5.2 percent annual job growth over 1987. While this is a strong increase, it is below the 6.3 percent expansion in 1987. The growth rate in this industry will continue to lose momentum over the next 18 months, but growth will still remain strong. TCPU employment growth in 1989 is expected to be 3.5 percent.

Over one-fourth of all wage and salary jobs in the rural counties are government positions. This pattern will continue through 1989. In 1988, the rate of increase in government employment should slow somewhat, to 3.5 percent. Growth is expected to slow further in 1989, to 2.3 percent or 1,500 jobs. The slower gains in this sector are the result of slower population growth.

While the forecast for the nonmetropolitan counties has been revised downward, the outlook for the counties is still positive. During the remaining months of 1988 and 1989, more than 8,100 job opportunities will be created in the rural counties.

Rosemary Reardon

Arizona Unemployment Insurance Activities
June 1988

	June 1988	May 1988	June 1987	% Change From One Year Ago
Claimants Served*	31,662	29,850	33,009	-4.1%
Avg. Weeks Unemployed**	8.8	8.5	9.5	-7.6%
Benefits Paid*	$13,199,851	$10,774,168	$12,316,434	7.2%
Trust Fund Balance	$444,654,121	$455,194,848	$406,957,088	9.3%

*All Programs **UI Only

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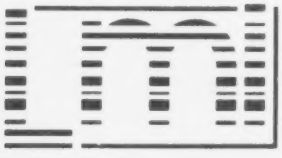

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